

Are you ready for Making Tax Digital?

Making Tax Digital is without doubt the most significant change to the UK tax system in a generation and businesses really do need to take action now. We look at the implications and provide a valuable checklist for the transition across to the new system.

The new digital method of tax collection and administration known as 'Making Tax Digital' (MTD) will definitely be introduced in April 2019, requiring businesses with turnover above the VAT threshold to file quarterly tax returns online. With less than seven months to go until the MTD for VAT deadline, for those businesses above the £85,000 threshold, work should be well underway with integrating the new digital tax system into their processes.

But for businesses who have not yet started the transition process, you need to take action now to ensure a smooth move over to the new system in April 2019. In fact, this is such a major change that JRW have introduced a dedicated MTD Team who are here to advise, guide and assist businesses through the process, ensuring that businesses are prepared and fully comply with the requirements.

Making Tax Digital - What you should know

MTD for Business: VAT

MTD for VAT will be implemented in April 2019. Under the regulations, businesses with taxable turnover above the VAT threshold (currently £85,000) must keep digital records for VAT purposes and must submit quarterly VAT returns to HMRC digitally through software, approved by HMRC.

Similarly, those businesses below the VAT registration threshold which have voluntarily registered for VAT can opt to join MTD.

Compliance with the regulations is mandated for VAT return periods beginning on or after 1 April 2019.

Software

Under the new MTD rules, businesses will have to use software which is approved by HMRC.

This must be capable of:

- Keeping records in digital form as specified by the new rules
- Preserving digital records in digital form
- Creating a VAT return from the digital records held in compatible software and submitting this data to HMRC digitally
- Providing HMRC with VAT data on a voluntary basis

How are the records to be kept?

Keeping digital records will not mean that businesses are mandated to use digital invoices and receipts, but the actual recording of supplies made and received must be digital.

The use of spreadsheets will be allowed, but they will have to be combined with add-on software to meet HMRC's requirements. Software will not be available from HMRC.

However, we would recommend that rather than using spreadsheets it is more efficient and productive to use a cloud accounting option such as Xero and Sage (which we have experience in). The alternative would mean using manual records, transferring these into a spreadsheet and then transferring them through "compatible software" to then lodge with HMRC. However, a cloud accounting package can be all encompassing and then submission is made direct to HMRC.

Exemptions

There are **very rare circumstances** where you might qualify for one of the exemptions and if this is the case it would need approval by HMRC. Where we believe you are eligible we will advise you of this and your options.

Helping with the transition

As you will see, the introduction of Making Tax Digital means that this is a time of great change and no matter what size of business you have, you need to take action now.

Our dedicated MTD Team are ready to help with these challenges and can make sure that you are prepared and fully compliant by providing you with the following:

- Analysis of where the business is currently at.
- Assessment of what a business is required to do and what needs to be implemented before the deadline.
- Advice on digital software.
- Assist with the transition to digital software.
- Assist with ongoing MTD obligations.

With the introduction of MTD for VAT only seven months away, our team are here to help you to comply with the requirements of the new system. Making Tax Digital is just around the corner and doing nothing about it is not an option.

For specialist advice and assistance on Making Tax Digital, contact our dedicated MTD Team today.

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